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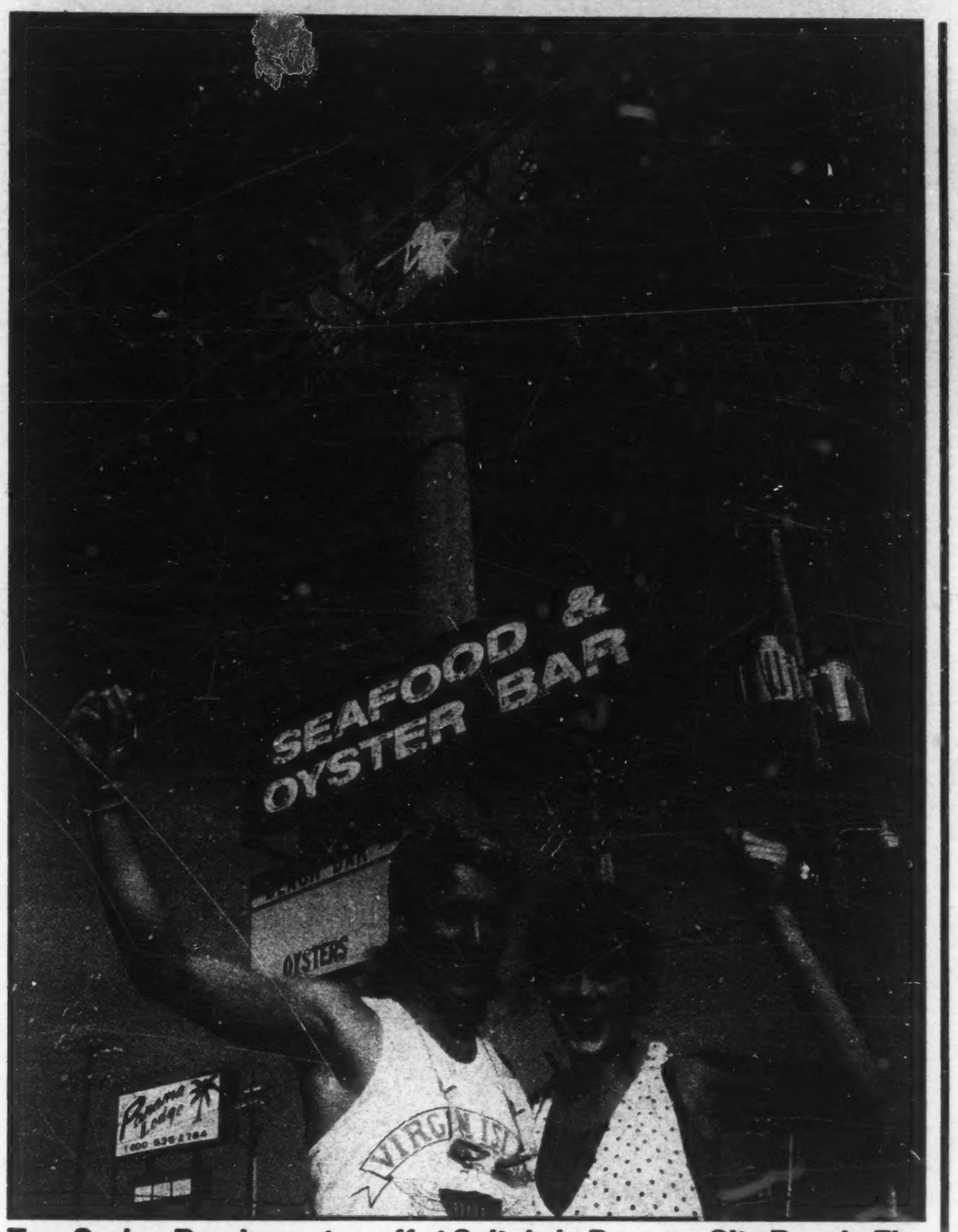
Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 25. No. 15 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | April 15. 1991




Two Spring Breakers stop off at Salty's in Panama City Beach, Fla.

# Gulf sales heat up as 'spring fever' drives kids south

by Jack Hayes

Hundreds of thousands of students on spring break are storming the northern beaches of the Gulf of Mexico and rescuing restaurateurs, hoteliers and bar operators along a 220-mile strip between Biloxi, Miss., and Panama City, Fla.

The student invasion is expected to heat March and April sales to record levels for operators chilled by a long winter made colder by recession and the Persian Gulf War.

"This is the best spring break I've seen in 26 years," roared Cash Moore, who operates 14 Cash's lounge and package stores from Mary Esther to Marianna, Fla.

Moore said that the Saturday night before Easter, he moved 3,000 in and out of his club — which, he added, has seating for only 600.

Other local operators are quick to support Moore's enthu-

*(See SPRING BREAK, page 4)*

## INSIDE

**The ad slogan merry-go-round**
Charles Bernstein/Page 29

**The Cetron Odyssey**
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**Pizzeria Uno charts its course**
Focus/Page 35

**The range as the kitchen workhorse**
Patt Patterson/Page 62

# Lady luck sets sail in the Rust Belt

## Tourist-thirsty Mississippi river towns hope to hit hospitality jackpot with riverboat gambling

by Carolyn Walkup

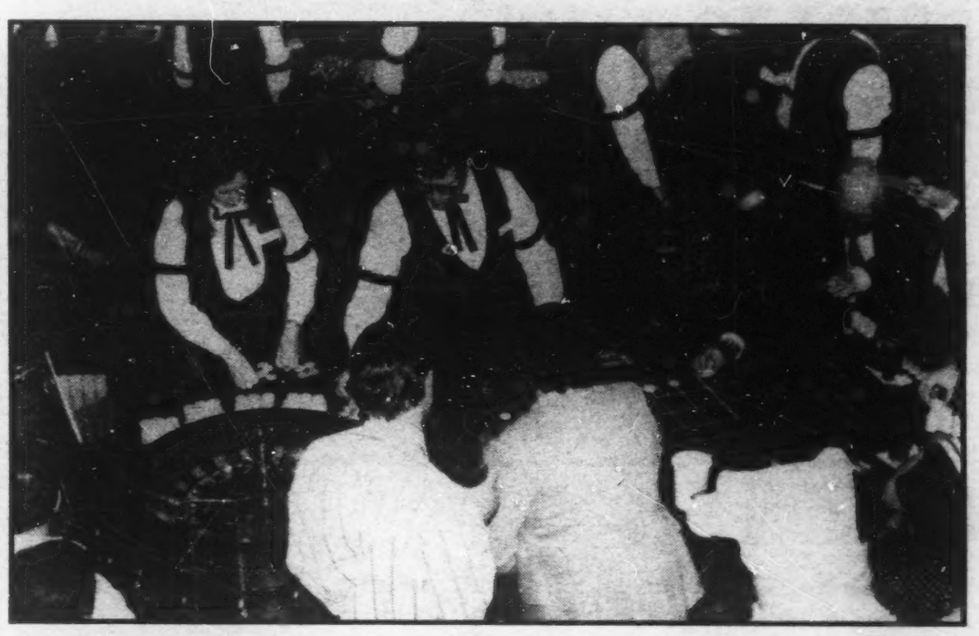
DAVENPORT, Iowa — The hospitality industry is betting that riverboat gambling on the Mississippi River will turn the Rust Belt into a gold mine.

The excitement generated by the April 1 debut of the nation's first legalized casino gambling outside of Las Vegas and Reno, Nev., and Atlantic City, N.J. — and, on a smaller scale, Deadwood, S.D. — extends beyond the riverboats to the river towns that have suffered economically since the decline of the area's manufacturing industry.

Towns unaccustomed to tourism are seeing a need to develop hotels, restaurants and other amenities expected by busloads of tourists flocking to their riverfronts.

Davenport and neighboring Bettendorf alone expect to attract 2 million additional tourists this year from all over the country, according to Jo-

*(See GAMBLING, page 97)*



NRN Photo

Gamblers place their bets aboard the President, one of three floating casinos now operating on the Mississippi River.

Arby's®

# Miami move triggers exit of Arby's top 3

by Jack Hayes

ATLANTA — Arby's top three executives have joined about 80 percent of its 175-person headquarters staff in choosing to resign rather than make the move with the company to Miami Beach, Fla., the base of owner and chairman Victor Posner.

In the latest high-ranking exodus from the 2,400-unit chain, Larry Krueger, George Nadvit and Kam Nasser — executive vice presidents of marketing, operations and finance, respectively — have refused Posner's offer to move south to

*(See ARBY'S, page 4)*

# Industry pushes for alternative teen labor rules

## In congressional testimony reps urge changing 'school-night' restrictions

by Peter Romeo

WASHINGTON — Testifying here against a congressional plan to toughen teen-labor laws, foodservice representatives called for alternative changes that would give operators a freer hand in scheduling 14- and 15-year-olds.

Industry delegates pressed in particular for a revision of regulations that prohibit youngsters from working during school nights after 7 p.m., when restaurants need a full staff to deal with the dinner rush.

One speaker, representing the National Restaurant Association, also recommended that 14- and 15-year-olds be allowed to cook and bake in more circumstances than the law currently permits.

She and a representative of the industry's other major lobbying force, the National Council of Chain Restaurants, both urged the federal government to dispel the confusion that arises because of differences in national and state employment laws.

In testimony before a Senate labor subcommittee, the foodservice delegates repeatedly stressed that more employers would comply with existing child-labor regulations if the rules were more reasonable and

*(See INDUSTRY, page 97)*

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 25, No. 15 April 15, 1991

## NEWS BRIEFS

### REGI officials refute reports that Foodmaker seeks El Torito

IRVINE, Calif. — Senior executives of Restaurant Enterprises Group Inc. confirmed that they discussed a possible sale of the concern's El Torito chain to Foodmaker Inc. earlier this year but stressed that the talks had broken off in February.

The confirmations refute widespread reports that a deal between the two companies is still imminent.

In late December and early January, speculation about a takeover of El Torito by Foodmaker "may have had some basis," said one of Restaurant Enterprises Group's highest-ranking executives.

But by early February the talks with Foodmaker were "completely over and done with," he added, asking that he not be named and declining to give additional details.

A Foodmaker source, who also requested anonymity, confirmed that the discussions had been discontinued.

### Ehringer resumes Grand American chairmanship

SANTA MONICA, Calif. — Al Ehringer, the founder, principal owner and former chairman and chief executive of Grand American Fare here, has resumed his chairmanship of the restaurant company.

He succeeds David Lambert, the company's former chairman, president and chief executive, who was named vice-chairman. Lambert, who in January was succeeded as GAF president by former Hooters president Bruce Attinger, replaces retiring vice chairman Robert Scura, another former Grand American president.

John Owens, managing director of the Grand American Group, refuted rumors that a company outsider would be named chairman and chief executive of the diversified firm's restaurant arm. It operates the Saddle Peak Lodge restaurant and the Omelette Parlor chain, both in the Los Angeles area, and 23 college-town tavern-restaurants in Western states.

### Zagat Survey plans national fast-food book

NEW YORK — Zagat Survey, the publisher of diner-response-based ratings guides to full-service restaurants in 20 cities, is planning a fast-food edition that would contain a national survey and archival photo and menu reproductions.

Scheduled for early 1992 release, the book would include rankings of chains' service speeds and food specialties based on pollings of Zagat's city respondents. Publisher Tim Zagat said questionnaires would be sent to 40,000 Zagat contributors.

Merrill Shindler, the Los Angeles-based restaurant journalist and radio talk-show host, will write and edit the volume.

### Sea Galley taps Young to succeed Krieg as prexy

MOUNTLAKE Terrace, Wash. — The board of Sea Galley Stores Inc., parent to the 17-unit Sea Galley seafood dinnerhouse chain, has elected current board member Jan Young chairman and president, succeeding Kim Krieg.

Young, a member of the Sea Galley board since 1985, has experience in financial matters and has "put together some [non-restaurant] companies," a Sea Galley spokesman said.

Krieg, a former multiunit restaurant operator and brokerage company president, was named chairman and prexy of the chain last year.

A prepared statement issued by Sea Galley said Krieg gave up his post "after [reaching] mutual agreement with the board." It further noted that Krieg would remain a consultant to the company in the area of "continuing programs of financial restructuring."

### Chicago's Melange closes after fire, but cooking continues

WILMETTE, Ill. — Fire badly damaged Melange Restaurant in the middle of a busy weekday lunch during the first week of April.

Owner David Jarvis and staff members evacuated the restaurant, and no one was injured. But the fire, which started while roofers were repairing the roof, caused an estimated $1 million worth of damage and will result in several months' of lost business while insurance claims are settled and rebuilding is completed.

Jarvis, who has made a name for himself as an innovative contemporary American chef, is already planning to reopen in early fall. Meanwhile, the owners of Metropolis 1800 have offered Jarvis use of their kitchen to prepare food for two upcoming benefits.

## McDonald's found liable in sleep-deprivation suit

by Milford Prewitt

PORTLAND, Ore. — A jury has ordered McDonald's to pay $400,000 to a 39-year-old man who proved that he was injured in an automobile accident because an 18-year-old McDonald's staffer was too tired to stay awake behind the wheel of his car.

The McDonald's employee was killed in the crash, which occurred only 20 minutes after he had finished an eight-and-a-half-hour graveyard shift on a school night.

The lawyer for the plaintiff said the case is the first one in which a foodservice employer was found liable for a fatal accident related to an employee's sleep deprivation.

Meanwhile, the family of Matthew A. Theurer of Espacada, Ore., the employee who was killed in the accident, has filed a wrongful death suit, charging negligence and several statutory violations stemming from the April 5, 1988, accident.

Robert Neuberger, the lawyer for Frederic M. Faverty, the injured man who won the judgment in the first suit, said the facts he presented showed a company unit in Clackamas, Ore., a Portland suburb, was negligent when it knowingly scheduled Theurer to work two shifts on a school day without any concern for the youth's need for sleep.

McDonald's Corp. did not respond to repeated requests for comment.

Neuberger said that Theurer, after working on a Sunday night between 6 p.m. and 11:30 p.m., rose Monday at 6:30 a.m. to go to school. After attending classes that day, the high school senior was scheduled to work a split shift. The first was a four-hour detail between 3:30 p.m. and 7:30 p.m. Theurer then came back at midnight to work until 8:30 a.m. Tuesday.

In pleading the case, Neuberger said that, based on time sheets and testimony from supervisors, friends and co-workers of the youth, he estimated Theurer had about seven hours of sleep in the last 48 hours of his life.

However, Neuberger admitted that it was not entirely clear how Theurer spent his time between the two shifts.

Theurer was scheduled with another co-worker to clean the restaurant's six deep-fat fryers. When that job was finished around 5 a.m., Neuberger switched functions and began serving customers arriving for breakfast.

At 8:21 a.m. Theurer clocked out. Twenty minutes later, while driving home on a two-lane roadway — with a posted speed limit of 50 miles per hour — his car drifted across the median on a curved portion of the road and collided with an oncoming vehicle driven by Faverty.

Because Oregon law empowers juries to set and award damages, no monetary claims accompanied the filing.

Neuberger said that although this was the first instance in which a restaurant was found liable for an accident caused by an employee's lack of sleep, such cases have been brought against other types of businesses.

FINANCIAL NEWS

# Applebee's plants some seeds for future growth

by Peter O. Keegan

KANSAS CITY, Mo. — After suffering a traffic slowdown at the end of 1990, Applebee's is taking several steps to regain the sales momentum that made it one of the industry's most talked-about operations last year.

The dinner-house chain is eyeing a new array of healthful menu items while experimenting with a larger restaurant prototype that could generate higher unit sales.

In addition, the franchisor is seeking to continue its growth binge by entering a number of new markets, including California and the Pacific Northwest.

"Applebee's will seed a lot of new markets [with company stores]," Applebee's president, Abe Gustin Jr., disclosed during the recent Wertheim Schroder financial conference in New York. He explained that the restaurants would be sold to franchisees once the units are running smoothly.

Several industry veterans were recently hired to help the chain grow.

Applebee's opened 53 units in 1990, finishing the year with a total of 166 stores. The rapid-fire growth raised systemwide sales by 55 percent, to $218 million.

"The restaurants that opened during 1990 generated greater revenue and gross sales revenues than units opened prior to 1990," explained Tim O'Halloran, vice president of finance.

However, he added, "we noticed a slowdown in same-store sales by the end of the year," when the recession hit with a wallop.

Overall, Applebee's unit sales average rose by 2.5 percent, to $1.68 million, during

Abe Gustin Jr.

1990. O'Halloran admitted that part of the gain came from price increases by franchisees.

Nevertheless, the increase helped buoy the franchisor's 1990 revenues to $38 million, an increase of 28 percent.

Profits for the year totaled $2 million, compared with a loss of $47,000 for 1989.

During the final quarter of 1990, profits fell 14 percent, to $391,000, on a 17-percent rise in revenues, to $10 million.

Company officials warned that the recession might continue to stunt Applebee's growth in 1991.

"It's too difficult to predict when a franchise will open," said vice president and general counsel Bob Steinkamp, explaining that financing is harder to obtain in the current economic climate.

Steinkamp explained that the company had fallen short of projected openings in 1990, upsetting financial analysts.

"Expectations for 1991 have already come down, and there's a good chance that they may come down further," said Barry Stouffer, an analyst with J.C. Bradford in Nashville, Tenn. He added that he may further downgrade his 1991 earnings estimate for Applebee's a second time.

Applebee's is attempting to improve its performance in part by adding more healthful products to its menu.

"We currently have eight new Eat Light-Eat Healthy items [in test]," Gustin said at the Wertheim conference. "We have a 6-percent-to-8-percent increase in comp[arable-store] sales wherever we're selling those items."

Moreover, unit sales will get a boost when the chain raises menu prices by 1.5 percent when it changes its bill of fare later this year.

Applebee's is also testing a new 185-seat prototype, which can generate higher gross sales than current formats do. Currently Applebee's units range in size from 4,000 square feet, seating 123 customers, to 4,900 square feet, according to Gustin.

"We can build substantially more restaurants because of the size," he said at the Wertheim conference.

The franchisor recently hired a number of new executives for the purpose of helping the chain grow to its target of 1,000 units.

Kenneth Hill, who is a veteran of several casual dinner-house organizations, was recently named executive vice president and chief operating officer.

Training and development expert Ronald Reck has appointed human resources vice president.

Stuart Waggoner, a TGI Friday's alumnae, has been named vice president of franchise operations.

FOOD PRICE OUTLOOK

# High beef, veal prices continue

by Patt Patterson

Beef and veal prices continue high, although some observers say beef prices should drop when the overloaded feedlots start moving cattle to market. Feedlot population is up, but slaughter is down. Consumer demand, which ultimately sets red meat prices, would normally be expected to fall off on such high prices, causing the distribution pipeline to back up and prices to temporarily drop. That's not happening, even in this recession period.

Consumers have cut back on beef consumption, and the conjecture is that most of those buying can afford the higher prices. So the usual seesaw effect isn't occurring. When beef shipments will rise to push prices down is anyone's guess, but some say midspring. Even that drop won't be prolonged, however, because feedlots are said to have been cutting back on buying feeder cattle.

Process-fed veal prices, although still high, are somewhat depressed, mainly because high- end restaurants that are the main customers of this "milk-fed" veal aren't buying as much. Expect prices to move back up again in September if the recession ends by this summer, as many analysts predict.

Broiler prices continue lower than last year's at this time. Production continues to build somewhat faster than demand, which is also increasing. Frozen cod stocks are depressed, with prices running almost 50 percent higher than those of last spring and no relief in sight. Pollock, flounder and haddock inventories are also down sharply, and prices are higher, with the same dismal outlook.

California vegetable producers say production will be normal, despite drought. Heavy rains in March boosted most reservoir levels to a two- to three-year supply. The drought effects aren't over, but the outlook for the 1991 growing season is very positive, growers say. Expect strong lettuce, tomato, broccoli, celery, onion, and carrot production.

FACT FILE

**Dining out across the country**

| Those who: | Region | | | |
|---|---|---|---|---|
| | South | West | East | Midwest |
| Bring home take-out food | 96 | 91 | 96 | 95 |
| Eat at family-style restaurant | 91 | 94 | 96 | 95 |
| Eat at fast-food restaurant | 91 | 92 | 96 | 97 |
| Eat at dinner restaurants | 96 | 93 | 97 | 96 |

Source: Research Advantage Inc., Hawthorne, NY

FINANCIAL DIGEST

## TW may give stock if debt is unstructured

SPARTANBURG, S.C.— TW Holdings Inc., parent of foodservice giant TW Services, has agreed to give 4.8 million shares of its common stock to a bank syndicate if the company is unable to refinance the outstanding principal of its debt by June 6.

The issues would represent about 4.4 percent of TW Holdings' total common shares outstanding. As of Dec. 31, 1990, TW owed the syndicate about $150 million. The agreement, which is detailed in the company's annual report, said TW Holdings is continuing to investigate alternative financing transactions.

TW Holdings' total debt load is about $2.4 billion. Its sole holding, TW Services, operates the Denny's, El Pollo Loco, and Quincy's chains in addition to Canteen Corp., a large contract feeder, and about 400 franchised Hardee's units.

A TW spokesman said the stock distribution had been part of the company's credit arrangement for about two years.

## Operating costs cut into Sizzler's net

LOS ANGELES — Sizzler Restaurants' net profits for the quarter ended Feb. 3 declined 27 percent, to $3.6 million, despite a 6.5-percent gain in revenues, to $101.5 million.

The company said higher operating costs and discounting adversely affected earnings. For the 40-week period, net income dropped 18 percent, to $14 million, on a 13-percent gain in revenues, to $276.9 million.

Sizzler's operating costs increased after the chain reacquired the Chicago market from a franchisee as a result of a court battle. "The recent reacquisition of the Chicago market continues to be very costly," said Thomas L. Gregory, president and chief executive officer.

## Rax's losses mount in second quarter

COLUMBUS, Ohio — Weak sales and intense discounting deepened Rax's losses and depressed revenues in the second quarter ended Jan. 28 despite the company's attempts to financially restructure itself and secure new owners.

For the three-month period, Rax's losses grew to $5.2 million, on a 29-percent slump in revenues, to $18.1 million. In the year-ago quarter, Rax lost $1.8 million.

At the half-year mark, losses tripled to $6.8 million on a 25-percent drop in revenues, to $39.5 million. Much of the decline in revenues is related to the company's closing of 44 restaurants in Louisiana and Florida. Those units generated $5.6 million in revenues and losses of $1.9 million in 1990.

"While store closing were the major factor behind lowered sales on a quarter-to quarter comparison, sales at Rax's company-owned restaurants fell by approximately 7.5 percent," said Ira A. Hermann, president and chief executive officer. "There are two reasons: the softened economy overall and our industry's reaction to it, discounting."

The company is moving forward with a plan to change its ownership. An investment group led by Donald A. Karas, a director, has agreed to acquire 70 percent of the company's equity.

## Wendy's issues bonds to fund expansion

COLUMBUS, Ohio — Wendy's International said it plans to use the proceeds from a $70 million bond offering to pay off some high-interest long-term debt and build new stores.

In a registration statement with the Securities and Exchange Commission, Wendy's said the convertible subordinated debentures will come due in the 2006. First Boston and Smith Barney Upham are the lead underwriters of the offering.

The company recently disclosed that it plans to resume expansion after all but halting new development in recent years, when the operation struggled to engineer a turnaround. Besides using the proceeds to build new units and retire, Wendy's said it would earmark some of the funds for general business purposes.